EU says 'electroshock' tax plan for internet giants set for March

February 4 2018

EU Economic Affairs Commissioner Pierre Moscovici, pictured in November 2017, said that on average internet giants pay a tax rate of 9 percent in Europe, compared with an average corporate rate of 23 percent

The European Commission will present by the end of March its plan for overhauling tax rules for internet giants, aimed at making them pay up in the countries where they earn their profits, a top official said Sunday.

EU Economic Affairs Commissioner Pierre Moscovici told France's Radio J that his proposals would "create a consensus and an electroshock" on taxing digital economy revenues.

Under EU law, American technology titans like Google and Facebook can choose to report their income in any member state, prompting them to pick low-tax nations like Ireland, the Netherlands or Luxembourg.

That deprives other nations in the bloc of any of the tax revenue, even though they may account for a bigger share of the earnings.

The Organisation for Economic Cooperation and Development says such rules cost governments around the world as much as $240 billion (193 billion euros) a year in lost revenue, according to a 2015 estimate.

"The idea is to be able to identify the activities of digital companies, so we need a range of indicators—the number of clicks, the number of IP addresses, advertising, and eventually revenues... and then we'll find ways to tax them," Moscovici said.

He said the new rules would apply to giants like Google, Apple, Facebook and Amazon—together known as GAFA—as well as services like AirBnB and Booking.com.

"When you rent a room on Booking, it generates considerable revenue for a company which we don't really know where it's located, and which pays very little in taxes," he said.

On average internet giants pay a tax rate of 9 percent in Europe, compared with an average corporate rate of 23 percent, Moscovici said.